

August 12, 2009

Board of Governors of the Federal Reserve
20th & C Streets NW

Washington, DC 20551 Reference: Credit Card Accountability Responsibility and Disclosure Act (CARD Act)

Dear Sir/ Madam:

I am writing about the recently approved CARD Act that goes into effect August 20, 2009. Although the initial CARD Act is well accepted throughout the credit union industry, amendment (§226,5 (b)(2)(ii)) to the Act will cause undue burden and additional expenses for the borrowers, credit unions, and other financial institutions that utilize open-end consumer loan plans. This amendment states that we cannot impose any penalty on any **open-end consumer loan** account unless we provide the periodic statement 21-days in advance of the consumer's contractual payment due date.

Member inconvenience means 26,225 unhappy members

The CARD Act is best illustrated by Congress' focus on credit cards generally having a monthly billing cycle, but the amendment is overlooking the weekly, bi-weekly or semi-monthly payments a consumer may request, which are generally more beneficial to the borrowers. The Federal Reserve Board Staff also notes this in their Commentary to the FRB Regulations under the CARD Act. Most of the borrowers like the idea that they can make bi-weekly or semi-monthly payments on their loans, which can coincide with their payroll cycles. To comply with this Act, we will have to convert our members to a monthly payment cycle which will cost the credit union and ultimately cost the member.

Increased cost to the members

If Texas Bay Area Credit Union was required to send them a 21-day advanced notice before a payment is due, two notices will have to be sent for a single bi-weekly loan each month. Some of our members have multiple loans which will result in multiple notices. This will increase processing and postage expenses significantly, which will be passed on to our members. Since members are the owners of the credit union, increased expenses will be shared by all. Plus with all this additional mail they receive from us it is very unlikely they will be reading every notice.

Operation nightmare

The other problem that Texas Bay Area Credit Union is facing is how to comply with the delinquency related issues. For example, if a borrower has bi-weekly payments that fall on the 7th or 21st of each month, a periodic statement would have to be sent 21-days prior to each payment due date before we could consider the payment delinquent for the purpose of reporting the account as delinquent. This is either operationally not possible or

going to be extremely costly for the credit union and the borrowers. Our current practice is to report to the Credit Reporting Agency only after the account is 30 days past due. Therefore, the consumer will always have the benefit of 21-days notification plus an additional period of time before any adverse action is reported to the credit bureau. Under this Act, it is possible that the members with payments due less than monthly could never be reported as delinquent and that the credit union could not take any penalty action in connection with such weekly and bi-weekly accounts due the operational contradictions that arise from any practical applications of the Act.

No delinquency ever?

I believe this Act was intended to provide the credit card holders' 21-days window before the creditors could impose a late fee, report a delinquency or take other actions that may be considered a "penalty" resulting from the consumer not making payment within these 21-days. I do not believe this was intended to give consumers a blanket right to not make payments, to avoid delinquency or to avoid any credit reporting due to the non-payments of their various consumer loans, such as, auto, motorcycle, boat, and other secured or unsecured loans. Texas Bay Area Credit Union does not engage in any of the predatory credit card practices this bill was designed to address, and yet we are unfairly being asked to change a lending system that has worked exceedingly well for many credit union members for over 30 years.

I still do not understand why "Open End Plans" were included in this regulation and how it will benefit the consumer. The Credit Union Act was created during the Great Depression in order to serve consumers whom the banks would not serve. Texas Bay Area Credit Union has continued the service to consumers over the decades with our motto "People Helping People" and "Not for profit, not for charity, but for service." I urge you to amend the Act by deleting "Open End Plans That Are Not Credit Card Accounts" from this regulation. As stated above, Texas Bay Area Credit Union fully supports the regulation in regards to preventing predatory lending practices.

Sincerely,

Robert L Hannan
Collections Manager
Texas Bay Area Credit Union